BOARD ISSUES/QUESTIONS

BUDGET (REVENUE) PROJECTIONS
ASSESSMENT
FIVE-YEAR PLAN
PRODUCTION/CONSUMPTION
COLLECTIONS
DISBURSEMENTS
OTHER QUESTIONS

CURRENT LEASES

CURRENT LEASES

1. Research the possibilities of recommending that certain quantifiable information be disclosed in the footnotes.

The Mineral Management Service (MMS) within the Department of the Interior (DOI) is currently updating its information management systems and databases. It is tentatively believed that the information presented in the following 2 tables would be available for year-end fiscal year reporting.

- "End of Fiscal Year" table (See Attachment A on page 17)
- "Calendar Year" table (See Attachment B on page 18)

BUDGET (REVENUE) PROJECTIONS

The DOI budget submission presents the prior year actual receipts amount, an estimate of the current budget year receipts amount, and estimated receipt amounts of the succeeding 5 years for the following:

- Bonus bids and rents
- Royalties

The budget submission also presents estimated volumes of oil and gas sales for the same periods. The DOI uses models prepared by the Energy Information Agency, Department of Energy, to forecast changes.

In addition, it presents the number of accomplished and proposed Outer Continental Shelf (OCS) sales for the existing 5-year plan.

OMB price assumptions are different from DOI 5-year plan/economic analysis. OMB updates its price assumptions every 6 months for budget purposes.

ASSESSMENT

The assessment estimates the undiscovered oil and natural gas **resources**. Undiscovered resources are hydrocarbons estimated on the basis of geologic knowledge and theory to exist outside of known accumulations. Undiscovered resources analogous to those in existing fields producible with current recovery technology and efficiency, but without any consideration of economic viability are undiscovered conventionally recoverable resources. Representatives from the DOI stressed that "resources" should not be confused with "reserves."

For Federal Offshore Outer Continental Shelf Land:

An assessment is performed every 5 years. The latest assessment is the **Outer Continental Shelf Petroleum Assessment**, **2000**.

This assessment was prepared in conjunction with the Department of the Interior's efforts to develop a 5-Year Oil and Natural Gas Leasing Program for the years 2002-2007. This assessment considers recent geophysical, geological, technological, and economic information since the last assessment completed in 1995.

Assessment numbers are not tract-specific. Data collected to complete the Assessment and determine fair market value (FMV) for individual lease sales are held proprietary. The geophysical information alone is held proprietary for 25 years.

For Federal Onshore Land:

The US Geological Survey (USGS) periodically assesses the undiscovered onshore oil and gas resources for the entire United States. The USGS then allocates, in a publication, that portion of the resources that it believes should be applied to Federal lands. The most recent national assessment for oil and gas resources was published in 1995.

FIVE-YEAR PLAN

For Federal Offshore Outer Continental Shelf Land:

The MMS's current 5-year plan for oil and natural gas lease sales on the Outer Continental Shelf, for 2002-2007, was approved in July 2002.

The analysis for formulating the proposed final program focuses on the size, timing, and location of leasing and the provisions for assuring fair market value. Criteria of section 18 of the OCS Act are:

- Energy Needs
- Environmental Considerations
- Factors for Determining Timing and Location of Leasing
- Balancing Potential Environmental Damage, Discovery of Oil and Gas, and Adverse Impact on the Coastal Zone
- Price growth assumptions
- Political decisions—Presidential and Congressional withdrawal of land (See Attachment C, Sec.106 through Sec.110 on pages 21 and 22)

The OCS is divided into 4 areas: Alaska, Atlanta, Pacific, and Gulf of Mexico. With the exception of some updates to information for the Gulf of Mexico area,

the numbers/estimates in the 5-year plan remain constant. They are not updated or changed.

The information used in developing the 5-year plan tends to be very general. As work begins on planning for individual lease sales, the data used in the analysis becomes more detailed. Once a block receives a bid at a sale, very detailed and block-specific information is used to evaluate resource potential and value. Thus, in evaluating resources and values, the information used goes from very general to very specific depending on the stage in the process.

Proposed Lease Sale

Sales cannot be added to the lease sale schedule because of the requirement in Sec. 18 of the Outer Continental Shelf Land Act (OCSLA) that any sales considered must be included in the 5-year plan.

Lease Sale

Uncertainties:

- People may not show up at lease sales.
- Things may be taken out of the plan, which was intended for sale.
- Lease may be bought back. Company expended money on developing leases, discovered 3 trillion cubic feet of gas and the government repurchased the leases for \$200 million.
- If lease runs out and development is not taking place, the lease expires and is returned to the Government's inventory of unleased blocks and can be resold.

For Federal Onshore Land:

The Bureau of Land Management (BLM), an agency of the Department of the Interior, manages 262 million acres of mostly Western land and 700 million acres of subsurface mineral estate nationwide. These lands extend across rangelands, forests, high mountains, arctic tundra, and deserts. The BLM manages these lands for multiple-use and on a sustained-yield basis with its 5-year Strategic Plan and Annual Performance Plan as the foundation. It does not have a 5-year plan for oil and natural gas lease sales.

The BLM administers some of the most ecologically and culturally diverse and scientifically important lands in Federal ownership. The agency's management responsibilities include:

 recreation opportunities, including interpretation and other visitor education activities

- commercial activities, including energy and mineral development and timber sales
- wild free-roaming horses and burros
- · paleontological, archaeological, and historical sites
- fish and wildlife habitat
- transportation systems, including roads, trails, and bridges
- · wilderness areas and wild and scenic rivers
- rare and vulnerable plant communities
- public land survey system

BLM's current strategic plan is for fiscal years 2002 through 2007. It is organized around three goal categories, which contain eight mission goals, the plan describes accomplishments expected under an assumed level-budget scenario over the next 5 years. The goal categories focus on serving current and future publics, restoring and maintaining the health of the land, and improving organizational effectiveness.

Lease duration: 1 to 10 years, with additional extension periods.

PRODUCTION/CONSUMPTION

2. Research the possibility of recognizing the future royalties revenue stream as an asset at the time the lease is granted.

To assist in responding to this request, presented below are excerpts from SFFAS 7 followed by other information gathered by staff.

SFFAS 7 Excerpts: RECOGNITION AND MEASUREMENT OF EXCHANGE REVENUE

- 34. Revenue from exchange transactions should be recognized when goods or services are provided to the public or another Government entity at a price.
- 35. When a transaction with the public or another Government entity at a price is unusual or nonrecurring, a gain or loss should be recognized rather than revenue or expense so as to differentiate such transactions.
- 36. Revenue from specific types of exchange transactions should be recognized as follows:
 - (a) When services are provided to the public or another Government entity (except for specific services produced to order under a contract), revenue should be recognized when the services are performed.
 - (b) When specific goods are made to order under a contract (either short- or long-term), or specific services are produced to order under a contract (either short- or long-term), revenue should be recognized in proportion to estimated total cost when goods and services are acquired to fulfill the

- contract. If a loss is probable (more likely than not), revenue should continue to be recognized in proportion to the estimated total cost and costs should continue to be recognized when goods and services are acquired to fulfill the contract. Thus, the loss should be recognized in proportion to total cost over the life of the contract.
- (c) When goods are kept in inventory so that they are available to customers when ordered, revenue should be recognized when the goods are delivered to the customer.
- (d) When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space in a building, the revenue should be recognized in proportion to the passage of time or the use of the asset. The interest received on money borrowed in an intragovernmental transaction is an exchange revenue when the source of the borrowed funds is predominantly exchange revenue and is a nonexchange revenue when the source of the borrowed funds is predominantly nonexchange revenue or other financing sources.
- (e) When an asset other than inventory is sold, any gain (or loss) should be recognized when the asset is delivered to the purchaser.

37. When advance fees or payments are received, such as for large-scale, long-term projects, revenue should not be recognized until costs are incurred from providing the goods and services (regardless of whether the fee or payment is refundable). An increase in cash and an increase in liabilities, such as "unearned revenue," should be recorded when the cash is received. "Unearned revenue" should also be recorded if an agency requests advances or progress payments prior to the receipt of cash and records the amount.

Staff Gathered Information

It may take anywhere from 5 to 20 years from the time the lease is sold before production occurs. Reasons for variation:

- The lessee's budget.
- Other projects the lessee is focusing on.
- The depth of the water. The shallower the water, generally the sooner production may begin.
- Once the sales are completed and leases assigned to winning bidders, each
 action by the lease operator must go through a carefully considered
 permitting process for exploration, development and production activities.
 These post leasing reviews and approvals are complimented by an inspection
 process that sends MMS staff out to look at each operation to insure that all
 activities are conducted in an environmentally and physically safe manner
 and to insure that the Government is receiving its fair share of the production.
- Cannot project when certain technology will be available. With improved technology, only now is there possible production on leases obtained in the

80's. For example, a lease was sold in 1988 in the Gulf of Mexico area and there is still no production from that lease. It is expected that production will begin in the next few years. Also, with new and improved technology, companies are going back and producing in places that were thought to be depleted.

Currently, there is no production in the Atlantic area. There is a small amount of production from one lease, in the Beaufort Sea, in the Alaska area. Nor is there much production in the Pacific area. 80% of all leases in the Pacific area are not being developed. Most production is in the Gulf of Mexico.

There are reserve reports for the Gulf of Mexico, as of December 21, 2000, based on information MMS receives from producers. The most current Pacific area study is effective through 1998. Federal OCS reserves in Alaska are modest and attributable to only a single field, which makes them proprietary. The Atlantic Region has no reserves.

Royalty incentives—production of oil and gas without the producer having to pay royalties. Depending on how deep the ocean floor is, the producer does not have to pay royalties on a specified amount of extracted products. This relatively new program has spurred deepwater exploration. (Trend analysis is just beginning)

MMS collects raw geological data. Almost all the information is proprietary. Estimates the producers give to MMS are proprietary.

The Energy Information Agency, Department of Interior, estimates oil and gas resources consumed based on surveys provided by producers.

COLLECTIONS

3. Address the timing of when collections are recognized.

All collections, except the 1/5th bonuses for offshore lease sales, are deposited into a Clearing Account (14F3875). The distribution process identifies the recipients based on the Fund and Distribute Codes associated with the lease. The financial system then creates entries to move the monies to the proper Federal, State or Indian accounts for disbursement to the recipients. Legislation and regulations govern formulas for the disbursement of these revenues.

Each offshore lease bid must include a payment for one-fifth of the bonus bid. The 1/5th bonuses for offshore lease sales are deposited to Deposit Fund 14X6705 and invested until the bonus bids are accepted, rejected, or forfeited. The accepted bids are then moved to the Clearing Account and go through the distribution process as described above. If the bid is rejected, MMS refunds the 1/5 bonus and interest to the bidder.

Payment of the four-fifths bonus bid amount and the first year's rental must be received by the 11th business day after receipt of the lease forms by the successful bidder. The lease will not be executed until payment is received. Upon execution of the lease, the lease is established in the financial system.

Collections made one month are disbursed the following month.

Royalty-in-kind—oil is provided in place of paying cash value for royalties. Payments-in-kind are managed so as to assure that the resources received are disposed of in a manner that best benefits the Nation. This may include transfer to the Department of Energy for filling the Nation's Strategic Petroleum Reserve (SPR) or it may include sale in the market place of the product received. In-kind products provided to the SPR support the President's National Energy Policy. In-kind products sold in the market place provide revenues to the Federal Treasury. Decisions on how and when to take and sell the products received in-kind are made in a manner to assure that the value received for the products sold will, at least, equal the value that would have been received if the original producer had paid in-value.

DISBURSEMENTS

The Minerals Management Service (MMS) distributes revenues collected from Federal mineral leases to special-purpose funds administered by Federal agencies, States, and the General Fund of the U.S. Department of the Treasury (Treasury). The Bureau of Indian Affairs (BIA) disburses revenues collected from American Indian leases to the appropriate American Indian Tribes and allotted tract mineral owners. Legislation and regulations govern formulas for the disbursement of these revenues.

OTHER QUESTIONS

4. Research the validity of the calculations presented on the Analytical Perspectives in the 2003 Budget for Natural Resources.

The annual value presented in the Analytical Perspectives of the Budget, Government Assets and Liabilities, for Mineral Rights is determined in the same manner that the value for Land is determined. There are no official estimates of the market value of these holdings. The estimates in the Budget are based on a study published in 1987. Researchers in the private sector estimated what oil and gas resources were worth through 1985. The estimates presented in the study have been extrapolated over the years. Each year the estimated value is

adjusted based on the crude energy price from the Producer Price Index (PPI)¹ without taking into account any depletion of oil and gas resources.

5. Research how natural resources are recognized in the other countries that have significant natural resources and in state models (i.e., those states, such as Alaska, that have state-owned oil and gas reserves).

Staff has reviewed information on several countries that have oil and gas natural resources. Some of the countries researched included, Norway, Saudi Arabia, Denmark, Pakistan, United Kingdom, Canada and Russia. Staff noted in its research that a majority of these countries either lease/sell the rights to private companies to explore, develop, and extract oil and gas resources or the countries establish their own "state-owned" oil company(s) to provide those services. In either case royalties or sale proceeds are remitted back to the government as a revenue source. As we reviewed the financial statements available from either private companies or state-owned companies we noted that the only assets reported on the statements related to oil and gas operations were fixed assets (i.e., pipelines, tanks, filling stations) and other FAS 19 related assets (i.e., capitalized costs relating to oil and gas producing activities development and exploration costs). In other cases only statistical information was available on the oil and gas activities (i.e., proven reserves, annual exports, annual production, sales volumes, recoverable resource potential, etc.). Revenues are normally recognized when products are delivered to customer.

Staff also reviewed the 2002 Comprehensive Annual Financial Report (CAFR) for the State of Alaska. Staff noted that the Alaska CAFR did not report any oil and gas resources on its Balance Sheet nor were there any statistical disclosures pertaining to the oil and gas resources under the control of the State. The CAFR did disclose minimal information about the revenues collected from these activities and what those funds are used for. The State of Alaska's Division of Oil and Gas does produces two lengthy reports that contain substantial information on its activities. Those reports are the *Five-Year Oil and Gas Leasing Program* and the 2002 Report Tables & Graphs Edition.

6. Clarify the definitions used in the ED.

LAND - Land is the solid part of the surface of the earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as

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¹ **Producer Price Index (PPI):** A measurement of the average change in the selling prices of goods and services sold by domestic producers, and therefore an indicator of inflation. The most quoted PPI figure is the change in the prices of finished goods, that is, goods that are ready for sale to the final user (either households, businesses or governments). The so-called "core PPI" reflects the changes in price of finished goods excluding food and energy. The finished-good PPI and the Consumer Price Index differ due to the latter's inclusion of distribution costs, sales taxes, and government subsidies, as well as the types of products covered. The PPI is released by the Bureau of Labor Statistics in mid-month for the previous month.

mineral deposits and petroleum; renewable resources such as timber, and the outer- continental shelf resources) related to land.

GENERAL PP&E LAND - Land and land rights owned by the Federal Government that are acquired for or in connection with items of general PP& E (Volume I, Original Statements, FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD, May 2002).

General property, plant, and equipment is any property, plant, and equipment used in providing goods or services. General PP&E typically has one or more of the following characteristics:

- it could be used for alternative purposes (e.g., by other Federal programs, state or local governments, or non-governmental entities) but is used to produce goods or services, or to support the mission of the entity, or
- it is used in business-type activities, or
- it is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., Federal hospital services in comparison to other hospitals).SFFAS6, paragraph 23)

STEWARDSHIP LAND - Land and land rights owned by the Federal Government that are not acquired for or in connection with items of general PP&E (SFFAS 6, paragraph 68).

That is, land not included in general PP&E (SFFAS 6, paragraph 21).

Examples of land not associated with other items of general PP&E include land

as forests and parks and land used for wildlife and grazing (SFFAS 6, paragraph 68).

FEDERAL ONSHORE LAND - "Federal onshore land" means all land and interests in land owned by the United States which are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate. (Source: Adapted from TITLE 30, CHAPTER 29, Sec. 1702. US CODE COLLECTION)

<u>FEDERAL OFFSHORE</u> OUTER CONTINENTAL SHELF <u>LAND</u> - The term "<u>Federal offshore</u> Outer Continental Shelf <u>land</u>" means all submerged lands lying seaward and outside of the area of lands beneath navigable waters (Insert) as defined in section 1301 of this title, and of which the subsoil and seabed appertain to the United States and are subject to its jurisdiction and control. (<u>Source:Adapted from</u> 43 U.S.C. §1331.)

INDIAN LANDS - "Indian lands" means any lands or interest in lands of an Indian tribe or an Indian allottee held in trust by the United States or which is subject to

Federal restriction against alienation or which is administered by the United States pursuant to section 1613(g) of title 43, including mineral resources and mineral estates reserved to an Indian tribe or an Indian allottee in the conveyance of a surface or nonmineral estate, except that such term does not include any lands subject to the provisions of section 3 of the Act of June 28, 1906 (34 Stat. 539). (TITLE 30, CHAPTER 29, Sec. 1702. US CODE COLLECTION)

7. Measure some sort of cost basis as opposed to not recognizing a resource of the government.

In response to this issue, staff is providing excerpts from the FASAB Natural Resources Task Force Discussion Paper, June 2000.

Analysis of Accounting and Reporting for Costs Alternatives

Various types of cost were identified by the task force during its examination of costs associated with natural resources. The types of cost that were discussed were:

- Cost of Resources Sold
- Cost of Selling
- Cost of Management
- Transfer of Revenue/Distribution of Receipts

The cost, a suggested reporting principle, and advantages and disadvantages for the suggested reporting principle are presented in the following paragraphs for each type of cost.

1. Cost of Resources Sold

The possible options for the recognition of "cost of resources sold" are dependent upon whether the natural resource has or has not been previously recognized as an asset. If an asset has been recognized on the Balance Sheet, that asset must be removed from the Balance Sheet at time of sale resulting in an expense on the Statement of Net Cost. If natural resources are not capitalized, there is no capital consumption type cost associated with the sale of natural resources. Presently, most natural resources are not capitalized by reporting entities on the Balance Sheet because of the difficulty in reasonably estimating the quantity and value of natural resources.

The agencies' lack of reliable measures of acquisition costs of natural resources can be attributed to one or more of the following reasons:

a. The natural resources were acquired as a result of the Federal government's sovereign powers.

- Acquisition costs were fully expensed at time of purchase and historical records no longer exist and/or are not relevant for Balance Sheet valuation.
- c. Agencies would have to utilize large amounts of resources to survey large tracts of land to estimate the value of natural resources that are costly to locate and whose values are uncertain.
- d. There are no recent market transactions that provide an objective measure of the specific natural resource's value.

As a result the cost associated with a natural resource valuation cannot be determined with accounting precision.

Thus, the agencies' gross costs during a fiscal year would be their administrative costs, selling costs, and the market value of the rights to natural resources that generated exchange revenues during the same fiscal year. In effect, in cases where the rights to natural resources are sold for market value, the exchange revenue and the gross costs would increase by the same amount, and the net costs would only reflect the much smaller administrative and selling costs of the agency. However, this approach would be likely to cause substantial distortions in the Balance Sheet and the Statement of Net Costs to handle the treatment of the acquisition cost based on the changing market value of assets reported.

Consequently, most methods of imputing a "cost of goods sold" would, in one form or another, merely match the sales price against itself. To report reliable information, when comparing the inherent value of resources sold against the value received, will require reporting beyond the presentation of one simple number, which can best be done in a footnote or stewardship information.

2. Cost of Selling

The cost of selling consists of costs incurred for sale preparation and for activities that occur over the period of the sale of the natural resource. These costs include development of resource plans (e.g., 1 year, 5 year, 10 year) and environmental impact analysis prior to offering the resource for sale, and the costs of offering and awarding the resource sales. Currently, these costs are usually expensed in the period they are incurred.

3. Cost of Management

The cost of managing natural resources which will eventually be sold tend to be indistinguishable from the costs of managing other resources or carrying out legislatively mandated missions. For example, the land

management activities of the Bureau of Land Management benefit both revenue producing and non-revenue producing lands.

In limited cases, such as timber management in areas designated for sale, it may be possible to separate management costs between those that benefit resources to be sold from those that benefit resources in general. On the other hand, the Bureau of Land Management manages its rangeland for multiple uses, including grazing, recreation and preservation, and any management activities performed would continue regardless of whether portions of the land are leased for grazing. In this case, no portion of this management cost should be allocated to "cost of goods sold".

However, in identifying costs to match against future revenue, management must bear in mind the extent to which those costs are incurred because of the agency's responsibility to manage the resources entrusted to it. Costs that are part of an agency's stewardship responsibility that are not intended to increase the flow of future revenue should not be matched against revenue. For most agencies, revenue production is a byproduct of natural resource management, and the Statement of Net Cost should clearly reflect the cost of the agency's primary mission (stewardship) rather than a secondary mission (revenue production). No costs should be capitalized and matched against revenue unless those costs were intended to enhance future revenue streams rather than to fulfill the agency's stewardship responsibility.

4. Transfer of Revenue/Distribution of Receipts

In many cases, the agency that earns exchange revenue must transfer some or all of the proceeds to other Federal agencies. In addition, under law, many Federal agencies must share the proceeds of grazing, timber sales and other natural resource sales with state and local governments. This "sharing" of revenue represents an outflow of resources from the Federal Government as a whole. In these cases, the revenues are earned from assets that are owned by the Federal Government. The sharing occurs under legislation or other provisions, but is essentially a voluntary transfer to state and local governments by the part of the Federal Government.

In limited cases, the underlying assets are actually owned by the other party (e.g. Indian lands held in trust by the Federal Government). In these cases, the Federal Government has no revenue for the collections or expense for the transfer out, but merely acts as agent for the other party.

The treatment of the transfers, especially transfers outside the Federal Government, is a critical component in the analysis of government sales

activity. There is an ongoing political debate over whether the government "loses money" on revenue transaction due to legislative requirements to transfer a portion of the proceeds to state and local governments.

As provided in SFFAS No.7, transfers between Federal agencies are currently recognized as "transfers" that have no impact on the Statement of Net Cost. Theoretically, transfers of Federal resources to state and local governments could be considered an expense of the Federal Government or a reduction in Federal revenue (e.g. contra revenue).

8. Research the possibility of providing some type of average lease value; comparing total potential lease areas to actual leased area and the value received.

Staff is still awaiting information pertaining to this request.

9. Staff's assertion in the draft skeletal exposure draft that while oil and gas resources meet the definition of an asset, yet do not meet the recognition criteria of an asset, should be further developed.

This issue has been deferred to the August meeting.

10. Address minority comments from taskforce Discussion Paper

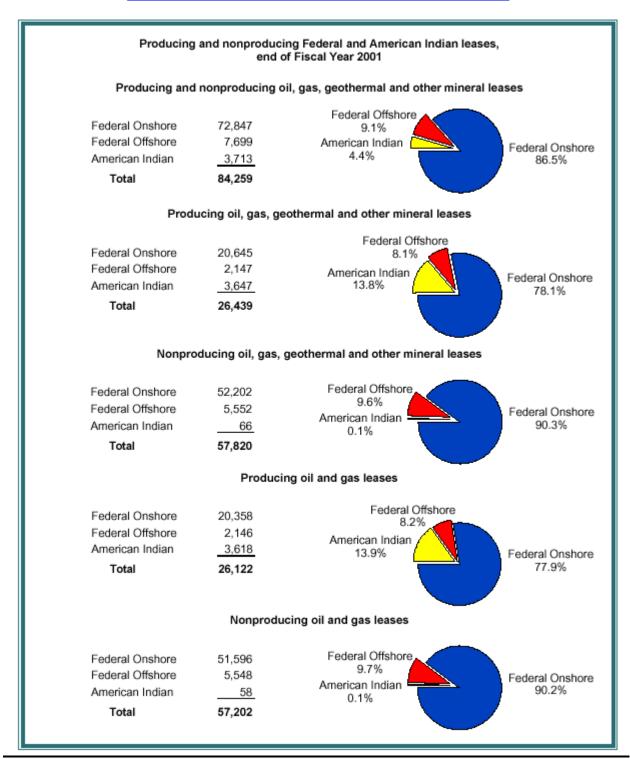
This issue has been deferred to the August meeting.

Glossary of Terms

- <u>Lease</u> "Lease" means any contract, profit-share arrangement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, extraction of, and or removal of oil or gas. (Source: TITLE 30, CHAPTER 29, Sec. 1702. US CODE COLLECTION)
- <u>Bonuses</u> Leases issued in areas known to contain minerals are awarded through a competitive bidding process. Bonuses represent the cash amount successfully bid to win the rights to lease. (Source: Glossary of Mineral Terms, Minerals Revenue Management, Minerals Management Service, U.S. Department of the Interior)
- <u>Rents</u> A rent schedule is established at the time a lease is issued. Rents are annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease while the lease is not in production. Rents are paid until a lease expires or until royalty-paying production begins on a lease. (Adapted from: Glossary of Mineral Terms, Minerals Revenue Management, Minerals Management Service, U.S. Department of the Interior)
- <u>Royalties</u> Royalty means any payment based on the value or volume of production which is due to the United States or an Indian tribe or an Indian allottee on production of oil or gas from the Outer Continental Shelf, Federal, or Indian lands, or any minimum royalty owed to the United States or an Indian tribe or an Indian allotteeunder any provision of a lease. (Source: TITLE 30, CHAPTER 29, Sec. 1702. US CODE COLLECTION)
- <u>Resources</u> Concentrations of naturally occurring liquid or gaseous hydrocarbons that can conceivably be discovered and recovered are called resources. Normal use encompasses both undiscovered and discovered resources.
- <u>Undiscovered Resources</u> Hydrocarbons estimated on the basis of geologic knowledge and theory to exist outside of known accumulations are undiscovered resources. Undiscovered resources analogous to those in existing fields producible with current recovery technology and efficiency, but without any consideration of economic viability are undiscovered conventionally recoverable resources.
- <u>Discovered Resources</u> Hydrocarbons whose location and quantity are known or estimated from specific geologic evidence are discovered resources. Discovered resources include known resources, unproved reserves, and proved reserves depending upon economic, technical, contractual, or regulatory criteria.

- Reserves Those quantities of hydrocarbons which are anticipated to be recovered from known accumulations from a given date forward are reserves. All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geologic and engineering data available at the time of the estimate and the interpretation of these data. The relative degree of uncertainty may be conveyed by placing reserves into one of two principal classifications, either unproved or proved.
- Unproved Reserves Those quantities of hydrocarbons that can be estimated with some certainty to be potentially recoverable from known reservoirs, assuming future economic conditions and technological developments, are unproved reserves. The MMS Gulf of Mexico Regional Field Names Committee designates a new producible lease as a new field or assigns it to a preexisting field. The reserves associated with new producible leases qualified pursuant to 30 CFR 250.111 are initially considered unproved reserves. Unproved reserves are less certain to be recovered than proved reserves and may be further subclassified as possible and probable reserves to denote progressively increasing certainty in their recoverability. This report does not present individual estimates for possible and probable reserves.
- Proved Reserves Those quantities of hydrocarbons which can be estimated with reasonable certainty to be commercially recoverable from known reservoirs and under current economic conditions, operating methods, and government regulations are proved reserves. Establishment of current economic conditions includes consideration of relevant historical petroleum prices and associated costs and may involve an averaging period that is consistent with the purpose of the reserve estimate. Proved reserves must have either facilities operational at the time of the estimate to process and transport those reserves to market, or a commitment or reasonable expectation to install such facilities in the future. The application for a permit to install a platform is considered such a commitment. Proved reserves can be subdivided into undeveloped or developed.

Minerals Revenue Management





Producing and producible Federal and American Indian oil and gas leases as of December 31, 1982

	Federa	I Onshore	Indian Onshore		Total Onshore	
Onshore	No.	Acres	No.	Acres	No.	Acres
Alabama	10	1,196			10	1,196
Alaska	34	63,081			34	63,081
Arizona			13	22,595	13	22,595
Arkansas	102	55,110			102	55,110
California	349	83,070			349	83,070
Colorado	1,159	828,933	106	147,023	1,265	975,956
Florida						
Illinois	2	20			2	20
Kansas	181	54,419			181	54,419
Kentucky	7	9,678			7	9,678
Louisiana	100	55,212			100	55,212
Maryland	3	3,763			3	3,763
Michigan	17	9,040	1	19	18	9,059
Mississippi	100	47,460			100	47,460
Missouri						
Montana	1,197	726,515	430	106,959	1,627	833,474
Nebraska	16	5,310			16	5,310
Nevada	41	11,925			41	11,925
New Mexico	5,018	2,992,258	469	491,130	5,487	3,483,388
New York						
North Dakota	359	302,411	22	4,772	381	307,183
Ohio	17	4,769			17	4,769
Oklahoma	537	88,337	1,823	168,358	2,360	256,695
Pennsylvania						
South Dakota	37	88,035	3	739	40	88,774
Tennessee						
Texas	48	22,092			48	22,092
Utah	804	843,432	807	224,254	1,611	1,067,686
Virginia	1	2,168			1	2,168
West Virginia	21	27,618			21	27,618
Wyoming	4,888	2,644,481	104	56,851	4,992	2,701,332
Subtotal	15,048	8,970,333	3,778	1,222,700	18,826	10,193,033

	Total Offshore	
Offshore	No.	Acres
Alaska		
California	31	156,616
Gulf of Mexico		
Central	1,055	4,600,686
Eastern		
Western	214	1,122,675
Subtotal	1,300	5,879,977
Onshore and Offshore Total	20,126	16,073,010

One Hundred Eighth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the seventh day of January, two thousand and three

Joint Resolution

Making consolidated appropriations for the fiscal year ending September 30, 2003, and for other purposes.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This joint resolution may be cited as the "Consolidated Appropriations Resolution, 2003".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this joint resolution is as follows:

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(16 U.S.C. 19jj et seq.), \$5,538,000, to remain available until expended.

ADMINISTRATIVE PROVISIONS

There is hereby authorized for acquisition from available resources within the Working Capital Fund, 15 aircraft, 10 of which shall be for replacement and which may be obtained by donation, purchase or through available excess surplus property: *Provided*, That notwithstanding any other provision of law, existing aircraft being replaced may be sold, with proceeds derived or trade-in value used to offset the purchase price for the replacement aircraft: *Provided further*, That notwithstanding any other provision of law, the Office of Aircraft Services shall transfer to the Sheriff's Office, Kane County, Utah, without restriction, a Cessna U206G, identification number N211S, serial number 20606916, for the purpose of facilitating more efficient law enforcement activities at Glen Canyon National Recreation Area and the Grand Staircase Escalante National Monument: *Provided further*, That no programs funded with appropriated funds in the "Departmental Management", "Office of the Solicitor", and "Office of Inspector General" may be augmented through the Working Capital Fund or the Consolidated Working Fund.

GENERAL PROVISIONS, DEPARTMENT OF THE INTERIOR

SEC. 101. Appropriations made in this title shall be available for expenditure or transfer (within each bureau or office), with the approval of the Secretary, for the emergency reconstruction, replacement, or repair of aircraft, buildings, utilities, or other facilities or equipment damaged or destroyed by fire, flood, storm, or other unavoidable causes: *Provided*, That no funds shall be made available under this authority until funds specifically made available to the Department of the Interior for emergencies shall have been exhausted: *Provided further*, That all funds used pursuant to this section are hereby designated by Congress to be "emergency requirements" pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, and must be replenished by a supplemental appropriation which must be requested as promptly as possible.

SEC. 102. The Secretary may authorize the expenditure or transfer of any no year appropriation in this title, in addition to the amounts included in the budget programs of the several agencies, for the suppression or emergency prevention of wildland fires on or threatening lands under the jurisdiction of the Department of the Interior; for the emergency rehabilitation of burnedover lands under its jurisdiction; for emergency actions related to potential or actual earthquakes, floods, volcanoes, storms, or other unavoidable causes; for contingency planning subsequent to actual oil spills; for response and natural resource damage assessment activities related to actual oil spills; for the prevention, suppression, and control of actual or potential grasshopper and Mormon cricket outbreaks on lands under the jurisdiction of the Secretary, pursuant to the authority in section 1773(b) of Public Law 99–198 (99 Stat. 1658); for emergency reclamation projects under section 410 of Public Law 95-87; and shall transfer, from any no year funds available to the Office of Surface Mining Reclamation and Enforcement, such funds as may be necessary to permit

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assumption of regulatory authority in the event a primacy State is not carrying out the regulatory provisions of the Surface Mining Act: Provided, That appropriations made in this title for wildland fire operations shall be available for the payment of obligations incurred during the preceding fiscal year, and for reimbursement to other Federal agencies for destruction of vehicles, aircraft, or other equipment in connection with their use for wildland fire operations, such reimbursement to be credited to appropriations currently available at the time of receipt thereof: Provided further, That for wildland fire operations, no funds shall be made available under this authority until the Secretary determines that funds appropriated for "wildland fire operations" shall be exhausted within 30 days: Provided further, That all funds used pursuant to this section are hereby designated by Congress to be "emergency requirements" pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, and must be replenished by a supplemental appropriation which must be requested as promptly as possible: *Provided further*, That such replenishment funds shall be used to reimburse, on a pro rata basis, accounts from which emergency funds were transferred.

SEC. 103. Appropriations made in this title shall be available for operation of warehouses, garages, shops, and similar facilities, wherever consolidation of activities will contribute to efficiency or economy, and said appropriations shall be reimbursed for services rendered to any other activity in the same manner as authorized by sections 1535 and 1536 of title 31, United States Code: *Provided*, That reimbursements for costs and supplies, materials, equipment, and for services rendered may be credited to the appropriation

current at the time such reimbursements are received.

SEC. 104. Appropriations made to the Department of the Interior in this title shall be available for services as authorized by 5 U.S.C. 3109, when authorized by the Secretary, in total amount not to exceed \$500,000; hire, maintenance, and operation of aircraft; hire of passenger motor vehicles; purchase of reprints; payment for telephone service in private residences in the field, when authorized under regulations approved by the Secretary; and the payment of dues, when authorized by the Secretary, for library membership in societies or associations which issue publications to members only or at a price to members lower than to subscribers who are not members.

Sec. 105. Appropriations available to the Department of the Interior for salaries and expenses shall be available for uniforms or allowances therefor, as authorized by law (5 U.S.C. 5901–5902 and D.C. Code 4–204).

Sec. 106. Annual appropriations made in this title shall be available for obligation in connection with contracts issued for services or rentals for periods not in excess of 12 months beginning

at any time during the fiscal year.

SEC. 107. No funds provided in this title may be expended by the Department of the Interior for the conduct of offshore preleasing, leasing and related activities placed under restriction in the President's moratorium statement of June 12, 1998, in the areas of northern, central, and southern California; the North Atlantic; Washington and Oregon; and the eastern Gulf of Mexico south of 26 degrees north latitude and east of 86 degrees west longitude.

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SEC. 108. No funds provided in this title may be expended by the Department of the Interior for the conduct of offshore oil and natural gas preleasing, leasing, and related activities, on lands

within the North Aleutian Basin planning area.

SEC. 109. No funds provided in this title may be expended by the Department of the Interior to conduct offshore oil and natural gas preleasing, leasing and related activities in the eastern Gulf of Mexico planning area for any lands located outside Sale 181, as identified in the final Outer Continental Shelf 5-Year Oil and Gas Leasing Program, 1997–2002.

SEC. 110. No funds provided in this title may be expended by the Department of the Interior to conduct oil and natural gas preleasing, leasing and related activities in the Mid-Atlantic and

South Atlantic planning areas.